

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

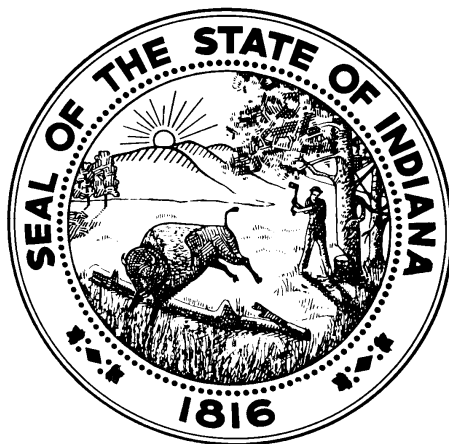
EXAMINATION REPORT

OF

BAUGO TOWNSHIP

ELKHART COUNTY, INDIANA

January 1, 2006 to December 31, 2007



FILED
12/08/2008

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OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|-----------------------------------|---|--|
| Trustee | Peggy J. Norwood Katherine A. Weaver | 01-01-03 to 12-31-06 01-01-07 to 12-31-10 |
| Chairman of the Township Board | Elnora Jane Ferro | 01-01-06 to 12-31-08 |



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF BAUGO TOWNSHIP, ELKHART COUNTY, INDIANA

We have examined the financial information presented herein of Baugo Township (Township), for the period of January 1, 2006 to December 31, 2007. The Township's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Township for the years ended December 31, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

October 15, 2008

BAUGO TOWNSHIP, ELKHART COUNTY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2006 And 2007

| | Cash and Investments 01-01-06 | Receipts | Disbursements | Cash and Investments 12-31-06 |
|----------------------------|-------------------------------------|-------------------|-------------------|-------------------------------------|
| Governmental Funds: | | | | |
| Township | \$ 49,759 | \$ 44,220 | \$ 79,178 | \$ 14,801 |
| Dog | 2,546 | 2,344 | 4,890 | - |
| Township Assistance | 70,679 | 39,109 | 31,301 | 78,487 |
| Firefighting | 857 | 153,981 | 154,700 | 138 |
| Park and Recreation | 91 | 4,197 | 4,057 | 231 |
| Levy Excess | - | 8,078 | - | 8,078 |
| Emergency Medical Services | 4,321 | 153,063 | 157,233 | 151 |
| Fire Building Debt | 56,901 | 55,354 | 112,255 | - |
| Cumulative Fire | 344,234 | 138,656 | 66,881 | 416,009 |
| Fiduciary Fund: | | | | |
| Payroll Withholdings | 453 | 4,558 | 4,533 | 478 |
| Totals | <u>\$ 529,841</u> | <u>\$ 603,560</u> | <u>\$ 615,028</u> | <u>\$ 518,373</u> |

| | Cash and Investments 01-01-07 | Receipts | Disbursements | Cash and Investments 12-31-07 |
|----------------------------|-------------------------------------|-------------------|-------------------|-------------------------------------|
| Governmental Funds: | | | | |
| Township | \$ 14,801 | \$ 128,204 | \$ 82,925 | \$ 60,080 |
| Township Assistance | 78,487 | 36,121 | 39,469 | 75,139 |
| Firefighting | 138 | 330,294 | 330,112 | 320 |
| Park and Recreation | 231 | 7,518 | 2,500 | 5,249 |
| Rainy Day | - | 1,355 | - | 1,355 |
| Levy Excess | 8,078 | - | - | 8,078 |
| Emergency Medical Services | 151 | - | 151 | - |
| Cumulative Fire | 416,009 | 146,243 | 110,000 | 452,252 |
| Fiduciary Fund: | | | | |
| Payroll Withholdings | 478 | 4,538 | 4,119 | 897 |
| Totals | <u>\$ 518,373</u> | <u>\$ 654,273</u> | <u>\$ 569,276</u> | <u>\$ 603,370</u> |

The accompanying notes are an integral part of the financial information.

BAUGO TOWNSHIP, ELKHART COUNTY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Township was established under the laws of the State of Indiana. The Township provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Township uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Township in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Township on or prior to December 31 of the year collected.

BAUGO TOWNSHIP, ELKHART COUNTY
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Township to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 6. Subsequent Event

Effective January 1, 2008, Baugo Township assumed the responsibilities of administration of duties for the Baugo Township Fire Department. An application has been filed with the Secretary of State for the dissolution of the not-for-profit Baugo Township Fire Department. All Fire Department transactions are processed through the Fire Department's books until the time of dissolution. The Township has applied for a land title transfer of building and property from the Baugo Township Fire Department to Baugo Township.

BAUGO TOWNSHIP, ELKHART COUNTY
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

There were a considerable number of posting errors. The posting errors include: A transfer of \$52,426.06 on March 9, 2007, from the Township Assistance bank account to the regular checking account was posted to the Township Fund instead of the Township Assistance Fund. A loan from the Cumulative Fire Fund of \$50,000 on October 4, 2007, was posted to the Township Fund instead of the Firefighting Fund. The County Auditor distribution for certified shares of \$55,479.50 on November 20, 2007, was posted to the Township Fund instead of the Firefighting Fund. The Township Clerk's pay of \$683.37 for December 2006 was posted to the Township Fund. \$250 should have been posted to the Township Fund, and \$433.33 should have been posted to the Township Assistance fund.

Some transactions were recorded as "negative" receipts and disbursements. These include: a deposit correction of \$5,000 on March 20, 2006, posted as a negative receipt; corrections to receipts totaling \$11,526.14 on July 2, 2007, recorded as negative receipts; a reversal of a portion of receipt 161 for \$60,632.31 was posted on December 31, 2007, as a negative receipt; an adjustment to reverse receipt 159 for \$60,632.30 was posted on December 31, 2007, as a negative receipt; transaction 164 for \$7,518 was posted on December 31, 2007, as a negative receipt; and transaction 2240 for \$55,479.50 was posted on December 31, 2007, as a negative receipt.

The Payroll Withholding Fund's transactions and balances for 2007 were not included in the annual report. The beginning balance as of January 1, 2007, should have been \$477.67, receipts should have been \$4,538.44, disbursements should have been \$4,119.01, and the ending balance should have been \$897.10.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

| <u>Fund</u> | <u>Years</u> | <u>Excess Amount Expended</u> |
|----------------------------|--------------|---------------------------------------|
| Firefighting | 2007 | \$ 104,698 |
| Emergency Medical Services | 2007 | 151 |

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

BAUGO TOWNSHIP, ELKHART COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

FORMS 941 (EMPLOYER'S QUARTERLY FEDERAL TAX RETURN)

Form 941 filed for the first, second, and third quarters in 2007, were not accurate, resulting in the overpayment of \$233.50 plus penalties and interest of \$32.09.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CAPITAL ASSET RECORDS

The capital asset records do not include the cost of two fire department vehicles, furnishings, and equipment within the fire station, or the cost of office equipment prior to 2006.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

BAUGO TOWNSHIP, ELKHART COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 15, 2008, with Katherine A. Weaver, Trustee. The official concurred with our findings.